

Syria's Economic Outlook- Spring 2016

The latest [MENA Economic Monitor Report - Spring 2016](#), expects Syria's growth to continue to contract in 2016, by 8 %. The medium-term macroeconomic prospects hinge on containing the war and finding a political resolution to the conflict, and rebuilding the damaged infrastructure and social capital.

The violent conflict in Syria has taken a heavy toll on life of the Syrian people and is resulting in large outflow of refugees. The estimated death toll has exceeded 250,000 people (as per the UN); and a recent report by the Syrian Center for Policy Research (SCPR) put the death toll to 470,000. One million two hundred thousand people were injured and many more displaced. The latest UNHCR statistics reveal that half of the Syrian population has been forcibly displaced, with an estimated 7.6 million internally displaced persons (IDPs) and 4.8 million registered refugees (UNHCR, 2016). In addition, 900,000 asylum applications were filed by Syrians in Europe during 2011-February 2016. The Refugee Protection (3RP) and humanitarian program (UN) estimated that there were 4.8 million Syrian refugees in February 2016 in the neighboring host countries alone (Egypt, Iraq, Jordan, Lebanon, and Turkey).

The conflict has significantly damaged the country's public and private assets including health, education, energy, water and sanitation, agriculture, transportation, housing and other infrastructure. The World Bank's Damage and Needs Assessment report (conducted for six governorate capitals namely, Aleppo; Dar'a; Hama; Homs; Idlib; and Latakia) estimated the total damage for the six cities to be in the range of \$3.7 to 4.5 billion as of [December 2014]. The SCPR estimated that, for the whole country, the destruction of physical infrastructure amounted to \$75 billion. The UN estimated that it would need an investment of \$180 billion to bring Syrian GDP back to pre-conflict levels.

The GDP is estimated to have contracted by an annual average of 19 % in 2015 and is projected to continue to contract in 2016, by 8 %. After rising by nearly 90 % in 2013, inflation is estimated to have increased by 30 in 2015 and is estimated to grow by 25 % in 2016 because of continued trade disruption, shortages and sharp depreciation of the Syrian pound.

Public finances have worsened since the start of the conflict. The overall fiscal deficit increased sharply by an average of 12 % of GDP during the period 2011-14 and is estimated to worsen to 20 and 18 % of GDP in 2015 and 2016, respectively. Total revenue fell to an all-time low of below 7 % of GDP during 2014-15 due to the collapse of oil revenues and tax revenues. In response, government spending was cut back, but not by enough to offset the fall in revenues. Reduction in outlays on wages and salaries were not far-reaching enough, while military spending increased.

The severe decline in oil receipts since the second half of 2012 and disruptions of trade due to the conflict put a pressure on balance of payments and the exchange rate. Revenues from oil exports decreased from \$4.7 billion in 2011 to an estimated \$0.22 billion in 2014, and are estimated to have declined further to \$0.14 billion in 2015 as most of Syria's oil fields are under control of opposition forces of ISIS. Therefore, current account balance is estimated to continue its trend and reached a deficit of 22 and 15 % of GDP in 2015 and 2016, respectively. As a result of the civil war, it is estimated that total international reserves have declined from \$20 billion at end-2010 to \$0.7 billion by the end of 2015. Depressed export revenue and declining international reserves have caused a significant depreciation of the Syrian pound from 47 pounds per USD in 2010 to 375 pounds per USD at end-February 2016.

The medium-term macroeconomic prospects hinge on containing the war and finding a political resolution to the conflict, and rebuilding the damaged infrastructure and social capital. Violence continues to disrupt the production and distribution of goods and services, and impedes economic activity. Barring a cessation of the conflict, the country's human and physical capital stock is expected to continue to shrink. Physical harm, poor

nutrition and health services, unemployment, poverty, and the breakdown of public service delivery will continue to weigh heavily on the population.

* The World Bank has no independent national accounts estimates for Syria for the period after 2010. All national accounts figures referred to in the text come from the Syrian Center for Policy Research (SCPR), the United Nations Economic and Social Commission for Western Asia (ESCWA), or Syrian government sources.